



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

COMMITTEE ON FINANCE

H.B. 2509, HD1, Relating to Electronic Device Recycling

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

February 20, 2008
4:30pm

1 **Department's Position:** The Department of Health supports the intent of H.B. 2509, HD1 but has
2 reservations due to the lack of funding and the implementation schedule. Thus, the department must
3 respectfully oppose the bill.

4 **Fiscal Implications:** The measure requires increased funding and staffing not accounted for in the
5 Executive Supplemental Budget proposal.

6 **Purpose and Justification:** The Department concurs with reducing the pollution due to electronic
7 devices and believes that product stewardship and manufacturer responsibility is a proactive approach in
8 handling our waste electronic devices. We should have a system that helps consumers to do the right
9 thing.

10 Given the comprehensive nature of the bill, the many stakeholders involved, and the intensive
11 pre-planning and outreach required, the department would not be able to implement a program in the
12 proposed timeline. A program of this magnitude requires at least a minimum of one year planning and
13 coordination with stakeholders in order to be successful.

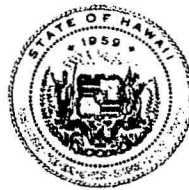
1 Implementation of the bill, if passed, will require significant resources. The first year cost to
2 develop this program would be at least \$75,000 of general funds. Succeeding yearly costs would be
3 approximately \$210,000 taken from the fees generated from the registration program.

4 In conclusion, the Department reiterates its commitment to recycling and allowing for
5 manufacturers to participate in the proper handling and recycling of their products. However, any
6 appropriation should not displace the priorities in the executive supplemental budget proposal.

7 Thank you for the opportunity to testify on this measure.

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LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

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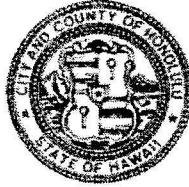
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DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707
TELEPHONE: (808) 768-3486 • FAX: (809) 768-3487 • WEBSITE: www.honolulu.gov

MUFU HANNEMANN
MAYOR



February 20, 2008

ERIC S. TAKAMURA, Ph.D., P.E.
DIRECTOR

KENNETH A. SHIMIZU
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
RR 05-013

The Honorable Marcus R. Oshiro, Chair
Committee on Finance
State Representative
State Capitol, Room 306
415 South Beretania Street
Honolulu, Hawaii 96813

RE: H.B. NO. 2509
RELATING TO ELECTRONIC DEVICE RECYCLING

Dear Representative Oshiro:

The City and County of Honolulu Department of Environmental Services supports H.B. No. 2509, which establishes a State program for collecting and recycling covered electronic devices that places the bulk of the responsibility on the manufacturers. The covered electronic devices include computer monitors and televisions, which the City currently collects in islandwide residential bulky item pickup services and at refuse convenience centers. The cost to recycle ewaste is significant, and as we look forward to the increased volume resulting from the mandatory change from analog to digital television, the costs will be staggering. The counties should not be forced to add this burden to the taxpayer.

We recommend the Legislature consider amending the bill to include computers as well as the monitors in the definition of covered electronic devices and to add county household collection to the definition for covered entity.

Sincerely,

A handwritten signature in cursive script that reads "Eric S. Takamura".

Eric S. Takamura, Ph.D., P.E.
Director

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Electronic device recycling fee

BILL NUMBER: SB 2843; HB 2509 (Identical)

INTRODUCED BY: SB by Menor, Baker, Chun Oakland, English, Espero, Fukunaga, Gabbard, Hanabusa, Hooser, Ige, Ihara, Inouye, Kim, Kokubun, Nishihara, Sakamoto, Tokuda, Tsutsui and 2 Democrats; HB by Morita, Awana, Belatti, Berg, Bertram, Brower, Cabanilla, Caldwell, Carroll, Chang, Chong, Evans, Green, Hanohano, Har, Karamatsu, Lee, Luke, Magaoay, Manahan, Mizuno, Nishimoto, B. Oshiro, Rhoads, Saiki, Say, Shimabukuro, Sonson, Takai, Takumi, Wakai, Waters, Yamane, Yamashita and 4 Democrats

BRIEF SUMMARY: Adds a new chapter to HRS as the electronic waste recycling act to establish a program to encourage the recycling of electronic devices in the state.

Requires manufacturers of electronic devices, as a prerequisite to selling such devices in the state, to register with the department of health and pay a registration fee of \$5,000 per year beginning on January 1, 2009 along with a list of their brands. Requires such electronic devices sold by the manufacturers to be permanently labeled so that the covered devices can be identified.

By June 1, 2009, each manufacturer to whom the department of health provides a return share in weight that is greater than zero to submit: (1) an additional fee calculated by multiplying the manufacturer's return share in weight by the cost per pound for collection, transportation, and recycling of covered electronic devices; or (2) submit a plan to provide for the collection, transportation, and recycling of at least 5% of the total return share in weight of covered electronic devices. Requires each manufacturer to comply with the return share provisions by February 15, 2011. Delineates what shall be covered in the manufacturers' recycling plan.

Further delineates sampling and reporting provisions that shall be conducted annually by the department of health beginning on January 30, 2011. Also requires the department to determine the return share for each program year for each manufacturer by dividing the weight of covered electronic devices identified for each manufacturer by the total weight of covered electronic devices identified for all manufacturers. Requires the department to notify each manufacturer of its return share, if a return share has been determined for the manufacturer, by February 15, 2011.

Delineates provisions to require the department of health to prepare and implement a plan to establish, conduct, and manage a program for the collection, transportation, and recycling of covered electronic devices in the state for manufacturers without approved recycling plans.

Prohibits the disposal of a covered electronic device in any solid waste disposal facility on January 1, 2010.

SB 2843; HB 2509 - Continued

Any manufacturer that fails to label its covered electronic devices, fails to register with the department of health and pay a registration fee, or fails to comply with the provisions of this act may be assessed a penalty of up to \$10,000 for the first violation and up to \$25,000 for the second and subsequent violations.

Establishes an electronic device recycling fund into which shall be deposited all fees, payments, and penalties collected by the department of health under this chapter.

EFFECTIVE DATE: July 1, 2008

STAFF COMMENTS: This measure proposes to address the disposal of electronic waste by requiring manufacturers to: (1) establish a recycling program to recover the electronic devices sold by the manufacturer; or (2) pay an additional fee and participate in a state department of health recycling program for electronic devices that are not covered by a manufacturer's recycling plan. Under the proposed program, each manufacturer would be required to submit a fee of \$5,000 per year and an additional fee based on the amount of covered devices returned for recycling if the manufacturer does not submit a recycling plan approved by the department of health.

While it may be desirable to require and promote the environmentally correct disposal of electronic devices, it is questionable whether it should be a state run program. It should be noted that there are a number of private companies that will dispose of used computers and electronic goods in the state. Rather than adopting this measure, an educational awareness program regarding the disposal of these electronic devices or a program similar to the disposal of hazardous material would be preferable.

The adoption of this measure would result in an additional imposition on manufacturers who sell their electronic goods in Hawaii which, no doubt, will be passed on in the form of higher prices of these goods. It could also mean that manufacturers that are not willing to pay the fee will decide to not to sell their products in the state. While the department of health is required to establish an electronic device recycling program, it would greatly add to the proliferation of programs and regulations, such as proposed by this measure. Recycling of electronic devices, or for that matter any of the other numerous "worthy" programs that are important to the health and safety of the community, should be funded out of legislative appropriation rather than a fee imposed on manufacturers.

If there is any kind of message being sent here by the legislature is that it is not worth it to do business in Hawaii. Like the bottle deposit program, this is just one more nail in the economic coffin. If retailers and other businesses think consumers find shopping on the INTERNET more advantageous, this measure will drive consumers in droves to make purchases of electronic devices from out of state vendors who will not be burdened with an addition "tax" like that which is proposed in this bill. Losing business like that will drive many businesses right out of business for after all, the manufacturers will have to recover the cost of the registration fee and the return share in weight fee by passing it on to the consumer in the form of higher prices if they even decide to do business in Hawaii. What this also says is that lawmakers do not know how to set priorities in expending what resources have already been provided to them by the taxpayers but merely think they can ask for more from taxpayers.

Digested 2/20/08



Sierra Club

Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

HOUSE COMMITTEE ON FINANCE

February 20th, 2008, 4:30 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2509

Chair Oshiro and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 2509, establishing an electronic waste (or e-waste) recycling program.

E-waste from computers, televisions, and other high-tech devices is an increasing problem. This type of waste frequently contains toxic materials, such as lead in the circuit board soldering or in the cathode ray tube. Moreover, with landfill issues on nearly every island, policies to divert waste from landfills should be encouraged.

Starting the process to establish and fund a state e-waste recycling program is critical now as more and more residents purchase high definition televisions and decide to scrap their older sets.

Thank you for the opportunity to testify.

Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Energy & Environmental Protection
State Capitol, Honolulu, Hawaii 96813



HEARING Wednesday, February 20, 2008
 4:30 pm
 Conference Room 308

RE: HB2509, Relating to Electronic Device Recycling

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

RMH supports HB2509, relating to electronic device recycling. If I may, I would like to offer the following comments:

- National legislation, while still pending in Congress, is the ultimate solution. A series of individual state-by-state laws tends to confuse the consumer and forces manufacturers and retailers to absorb tremendous administrative costs.
- However, understanding the urgency of our addressing this issue to avoid further impact on our environment, the manufacturer responsibility model in SB2843 is our preferred approach. To date Connecticut, Minnesota, Oregon, North Carolina, Texas, Maine, Washington and New Jersey all have passed manufacturer responsibility bills. In the long term, this will further encourage the design of environmentally friendly products, allow for flexibility in recycling methods and establish a market that can drive down the costs for consumers over time.
- We respectfully ask your consideration to insert language in § -3 (2)(b) that allows an initial "sell through" provision to afford retailers to ability to sell any covered device that was on order and/or is in stock BEFORE a manufacturer may have registered.
- Under this approach, retailers who manufacture private label products are also considered manufacturers. Thus, we do have a concern with the reference in the bill (§ -1 Definitions: "Manufacturer" and § - 4(4) (k): The Obligations ...) to the usage of present and past tense of *manufacturers* and *manufactured* and *sells* or *sold*. I am still working with our industry to clarify the impact, and ask your consideration of the opportunity to address this matter in subsequent discussions.

Thank you for your consideration and for the opportunity to comment on this measure. We are eager and look forward to continued discussion

President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

Joyce Masamitsu
Associate Director
State Public Policy, West Area



February 20, 2008

Verizon Wireless
15505 Sand Canyon Avenue
Irvine, CA 92618
Phone 949 286-8668
Mobile 949 233-0925
Fax 949 286-8009
joyce.masamitsu@VerizonWireless.com

The Honorable Rep. Marcus R. Oshiro
Chair, Hawaii State House Committee on Finance

RE: Testimony and Proposed Amendment to House Bill 2509

Dear Representative Oshiro and Members of the House Committee on Finance:

This letter is written on behalf of Verizon Wireless to request an amendment to House Bill 2509, legislation that would create a statewide recycling program for electronic waste. While Verizon Wireless embraces the author's goals to encourage the recycling of electronic devices, we request exclusion of voice and data equipment for wireless communication carriers without limiting exception criteria to telephones with a screen size greater than four inches measured diagonally.

Verizon Wireless and the industry at large, have already instituted voluntary recycling programs to promote environmentally friendly alternatives for electronic waste management. The recycling program created by House Bill 2509 would not be necessary for any of our products and would be disruptive to current consumer-centric policies we have in place today.

Verizon Wireless joined forces with HopeLine in 2001 to create a company wide recycling program that would aid victims of domestic violence. The **HopeLine® Phone Recycling and Reuse Program** collects no-longer-used wireless phones and equipment in any condition from any service provider. The used phones are either refurbished or recycled. With the funds raised from the sale of the refurbished phones, Verizon Wireless donates wireless phones and airtime to victims, and provides funding and other contributions to non-profit domestic violence shelters and prevention programs across the country.

Verizon Wireless also concentrates on protecting the environment by collecting spent rechargeable batteries for recycling. The **Verizon Wireless Cell Phone Battery Recycling Program** is an easy way for customers to join with us to help conserve the earth's natural resources and prevent spent batteries from entering community landfills. Verizon Wireless' retail stores participate in the **Rechargeable Battery Recycling Corporation (RBRC) Call2Recycle™** program, designed to educate the public about the need to recycle these batteries and to provide collection containers at retail stores where replacement batteries are sold. To participate, a customer simply drops their used rechargeable battery at any of our retail locations nationwide. As a corporate participant in this program, every Verizon Wireless retail store has collection kits behind the service counter to collect your spent batteries and ship them directly to the recycling facility for processing.

Through the HopeLine® Phone Recycling and Reuse Program, more than 200 tons of electronics waste and batteries have been kept out of landfills.

Verizon Wireless' participation and establishment of a national recycling program is a success story that fosters goodwill, corporate responsibility and community outreach. Since its launch in October of 2001, this nationwide program has produced outstanding results while driving public awareness of domestic violence across the country:

- Collected more than 4.5 million phones through our Verizon Wireless stores and other points across the country.
- Nearly 1 million phones have been properly disposed of in an environmentally sound way.
- Through the HopeLine® program, refurbished and resold equipment has enabled the delivery of nearly \$5 million in cash donations to domestic violence organizations nationwide.
- Distributed more than 60,000 HopeLine® phones with the equivalent of 180 million minutes of service and other features for use by victims, survivors and organizations
- More than 170,000 pounds of batteries were recycled through the HopeLine and Call2Recycle™ programs.

In 2007 alone, Verizon Wireless' national recycling program has facilitated the collection of nearly 1.07 million phones, the highest total since the program launched in 2001. Nearly \$1.74 million in cash generated from donated phones given to 330 different domestic violence prevention and awareness programs nationwide. Approximately 20,000 HopeLine® phones with service were active nationwide at the end of 2007. Hawai'i, residents and businesses donated more than 5,200 cell phones to our Verizon Wireless HopeLine® recycling program. In the state of Hawai'i, Verizon Wireless donated more than \$100,000 grants and wireless phone with airtime to local domestic violence programs.

For the above stated reasons, Verizon Wireless does not feel that participation in a mandated, statewide recycling program for electronic devices would provide greater benefit to our customers and the communities that we currently support through our HopeLine® recycling program. In light of this, Verizon Wireless asks that HB 2509 be amended to read in Section 1 – Definitions: "Covered electronic device" 2) Shall not include: (D) "*A telephone of any type.*" The remainder of the sentence, "unless it contains a video display area greater than four inches measured diagonally" should be deleted. Verizon Wireless requests the removal of this screen size requirement because all of Verizon Wireless products are included in our company's existing recycling program.

Thank you for your consideration of this amendment to House Bill 2509.

Sincerely,



Joyce Masamitsu
Associate Director of State Public Policy, West Area

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:

GARY M. SLOVIN, ESQ.
CHRISTOPHER G. PABLO, ESQ.
ANNE T. HORIUCHI, ESQ.
MIHOKO E. ITO, ESQ.
JOANNA J. H. MARKLE*
LISA K. KAKAZU**

* Government Relations Specialist
** Legal Assistant

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
info@goodsill.com • www.goodsill.com

INTERNET:

gslovin@goodsill.com
cpablo@goodsill.com
ahoriuchi@goodsill.com
meito@goodsill.com
jmarkle@goodsill.com
lkakazu@goodsill.com

February 19, 2008

TO: Representative Marcus Oshiro
Chair, Committee on Finance
Hawaii State Capitol, Room 306
Via Email: FINtestimony@Capitol.hawaii.gov

FROM: Chris Pablo

RE: H.B. No. 2509 – Relating to Electronic Device Recycling
Hearing: Wednesday, February 20, 2008, 4:30 pm; Agenda #4

Dear Chair Oshiro and Members of the Committee on Finance:

I am Chris Pablo testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

H.B. 2509 establishes a state program for collection, recycling, enforcement, and monitoring of covered electronic devices, and establishes program funding through the electronic device recycling fund. The measure also prohibits any person from placing or disposing of any covered electronic device in any solid waste disposal facility.

Covanta believes that the appropriate handling of electronic devices is a product stewardship issue. As such, those who make or who dispose of the product should play the primary role in managing this product as waste. Although that issue is addressed by the electronic device recycling program to be established by H.B. 2509, the bill's disposal ban at facilities like HPOWER does not promote product stewardship.

Covanta does not want this material at HPOWER and does its best to keep it out. But, Covanta is not in a position to keep the material out if it is disposed of in the waste delivered to HPOWER.

Covanta supports the creation of an electronic device recycling program pursuant to H.B. 2509, but respectfully requests that HPOWER be exempted from the provisions of this measure for the reasons noted. Thank you for providing us with the opportunity to provide testimony on this matter.



at&t

Dan Youmans
Director
External Affairs

AT&T Services, Inc.
P.O. Box 97061
RTC1
Redmond, WA 98073-9761

T: 425-580-1833
F: 425-580-8652
daniel.youmans@att.com
www.att.com

February 20, 2008

The Honorable Rep. Marcus R. Oshiro
Chair, Hawaii State House Committee on Finance

RE: Testimony and Proposed Amendment to House Bill 2509

Dear Rep. Oshiro and Members of the Committee:

On behalf of AT&T, we are requesting an amendment to House Bill 2509. This legislation would create a statewide recycling program for electronic waste. In the definitions section of the bill, telephones of any type are excluded from the program, unless the screen size is greater than four inches measured diagonally. AT&T requests the removal of this screen size requirement since all of our products are covered in our industry's recycling program.

While most wireless devices today have screens smaller than four inches, new devices in the future may have screens that exceed this limit. Our industry is known for continuous product innovation, while at the same time providing for a highly effective recycling program for our devices. The recycling program created by House Bill 2509 would not be necessary for any of our products.

The wireless industry recognized several years ago that we needed an effective and easy-to-use recycling program for our customers. Today, that program is called "Wireless...The New Recyclable." Detailed information can be found about the program at the CTIA web site, www.ctia.org. AT&T also has a special program in which we collect old cell phones and use the funds from recycling these devices to purchase pre-paid calling cards for military personnel, so they can call home from overseas. This program is called "Cell Phones for Soldiers." We are very proud of this service.

Generally, our industry's approach allows any consumer to take any wireless device or accessory, including phones, PDAs, chargers, and batteries, to any company retail outlet. Stores will accept these devices without cost to the consumer. The devices do not even have to be from that particular carrier. These devices will then be reused or recycled according to the standards set by the Environmental Protection Agency's Regulations for Managing End-of-Life Electronics.

This program covers all of our products, no matter what the screen size. For this reason, we do not believe House Bill 2509, in Section 1 on "Definitions," in 2 (D) needs to include the phrase "unless it contains a video display area greater than four inches measured diagonally." Thank you for considering this amendment to House Bill 2509.

Respectfully Submitted,

Dan Youmans, AT&T



Proud Sponsor of the U.S. Olympic Team



Consumer Electronics Association
1919 South Eads Street
Arlington, VA
22202 USA
(866) 858-1555 toll free
(703) 907-7600 main
(703) 907-7601 fax
www.CE.org

February 19, 2008

Representative Marcus R. Oshiro
Chairman, House Finance Committee
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, HI 96813

Re: Relating to Electronic Device Recycling (HB2509) – OPPOSE

Dear Representative Oshiro,

The Consumer Electronics Association (CEA) appreciates the opportunity to comment on this e-waste measure to be heard before the House Finance Committee this week. CEA represents more than 2,200 companies involved in the design, development, manufacturing, distribution and integration of audio, video, in-vehicle electronics, wireless and landline communications, information technology, home networking, multimedia and accessory products, as well as related services that are sold through consumer channels. CEA also produces the nation's largest annual trade event, the International CES.

CEA's member companies, although fully supportive of initiatives to promote the environmentally safe and efficient recycling of electronics, share grave concerns over the approach put forward by HB2509 and urge you to oppose this measure

Specific CEA Concerns

Responsibility for Electronics Recycling Should be Shared Among Stakeholders. CEA advocates strongly for a shared financial responsibility among all stakeholders - manufacturers, retailers, consumers and local, state and federal governments - for electronics recycling at all levels of legislation. HB2509's approach, which mandates sole manufacturer financing of collection, transportation and recycling of electronics waste treatment at product end-of-life, is unbalanced and unfair. Placing the financial burden entirely on the manufacturers is contrary to the concept of shared responsibility, which CEA believes is the best option for recycling financing.

A primary responsibility of manufacturers lies in product design. Most CE manufacturers have reduced and, in most cases, greatly minimized the use of potentially hazardous substances in their products. Additionally, manufacturers have developed new ways to

incorporate recycled components and design for responsible end-of-life. CEA supports market-driven environmental design initiatives, including federal and state government programs that give preference towards purchasing of environmentally preferable technology products.

Administrative Costs will be Very High. The administrative costs for enacting state-specific electronics recycling programs like HB2509 outweigh the potential public benefit obtained from the additional recycling generated by such a program. Beyond the inevitable “dead weight” costs associated with the state patchwork of varying electronics recycling mandates (see the Patchwork Study at www.ecyclingresource.org), HB2509 incorporates exceptional administrative requirements associated with determining state-level return shares, reviewing plans and running a recycling program for manufacturers not pursuing an independent plan. All of these requirements will only drive up the cost for recycling without providing any benefits to consumers.

HB2509 Follows an Untested Model. The legislation before the Finance Committee is similar to legislation enacted in Oregon last year, yet also unique in several key respects (e.g., financing is allocated exclusively via return share). There are 2 state-level models for recycling electronics with several years of program results available to tweak model implementation: California and Maine, and these models differ substantially from HB2509. CEA recommends that the Finance Committee defer enacting an untested electronics recycling system model, and if a system must be enacted then to follow either the California or Maine model.

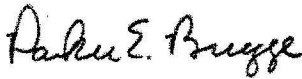
CEA Supports Consumer Education Initiatives. CEA recognizes that the recycling of electronics products is essential as we work to do our part to contribute to a more sustainable world. Recycling must be made convenient, cost-effective and easy for individuals, businesses, community centers, schools and government agencies to participate. In order to educate consumers about options for electronics products at the end-of-life, CEA launched myGreenElectronics.org at the 2007 International CES. myGreenElectronics.org empowers consumers by providing online resources regarding responsible use, reuse, and recycling of electronics with the use of an online searchable database of electronics recyclers, a database of green products and tips for saving energy with electronics. CEA liaises with our members to make these resources available and transparent to all interested stakeholders, including the Honolulu Department of Environmental Services (see http://envhonolulu.org/solid_waste/archive/Computer_Recycling.html). We will continue to buoy our education effort and have plans to expand upon this website throughout 2008.

CEA Actively Supports a National Solution

Ultimately, CEA strongly believes that a national solution is the most appropriate means to addressing this significant public policy challenge, primarily as a means to provide consistency in recycling opportunities to consumers and for uniform requirements for manufacturers along with other key stakeholders. Without a uniform national requirement, an ad-hoc array of state regulation imposes unnecessary financial and administrative burdens on global technology companies, which will ultimately increase costs to consumers. Each state and municipality that creates a new authority with a new governing body, or creates a new administrative or enforcement structure, is duplicating many of the implementation struggles already underway in other states around the country. Electronics recycling is a national issue that warrants a national solution.

CEA greatly appreciates your interest in creating viable, efficient electronics recycling systems but respectfully urges you to oppose HB2059, or at least defer consideration of this legislation until the viability of the model is tested in Oregon. Thank you for considering our industry's concerns.

Sincerely,

Handwritten signature of Parker E. Brugge in cursive script.

Parker E. Brugge, Esq.
Senior Director and Environmental Counsel



Philips Electronics North America Corporation

TESTIMONY ON HB 2509
BEFORE THE HAWAII HOUSE COMMITTEE ON FINANCE
PRESENTED BY RIC ERDHEIM
SENIOR COUNSEL
PHILIPS ELECTRONICS
February 19, 2008

Philips Electronics is a member the Electronics Manufacturers Coalition for Responsible Recycling (Coalition). The coalition represents many of the largest consumer electronics companies in the world including JVC, Mitsubishi, Philips, Pioneer, Sanyo, Sharp, and Thomson. We appreciate the opportunity to provide comments on HB 2509. Unfortunately, although we support the development of electronics recycling legislation, HB 2509 is significantly flawed and fails to establish a program that is shared among all responsible parties.

Summary

1. The Coalition agrees that states should establish a source of funding for electronics recycling.
2. The 2009 digital transition is not going to cause a significant increase in the number of television sets disposed.
3. There are significant differences between computers and televisions that result in a need for different approaches to achieve optimal results.
4. An approach that focuses on return share rather than current share puts established manufacturers at a significant disadvantage to new Chinese manufacturers who have no return share and who do not make the investments in environmental improvements that established manufacturers make.
5. Experience and financial analysis shows that producer responsibility approaches would not provide an incentive to manufacturers to make better products.
6. Hawaii should authorize a source of funding for the recycling of legacy televisions. Manufacturers would be responsible for operating the recycling systems and then funding the system to pay for the recycling of new televisions.

1300 I Street NW, Suite 1070 East
Washington, DC 20005
Tel: 202-962-8550
Fax: 202-962-8560

1. *The Coalition agrees that states should establish a source of funding for electronics recycling.*

The Coalition believes that historical and future electronic waste poses a burden on local governments and that there are recoverable materials in these products. Therefore, the Coalition agrees that there should be a source of funding for electronics recycling.

2. *The 2009 transition to digital television is not going to result in an increase in the disposal of televisions.*

In February 2009, television stations will end their transmission of over the air analog signals and only broadcast digital signals over the air. The US government is going to auction the frequencies used for over the air analog signals with estimates of the auction in the \$10-\$20 billion range. Some have argued that this transition is going to result in a sharp increase in the disposal of televisions because old analog televisions will no longer function. This is incorrect for four reasons:

- a. Federal law has required television manufacturers to include a digital tuner in sets manufactured after specified dates. Large televisions manufactured after February 2005, medium size televisions manufactured after February 2006 and small televisions manufactured after February 2007 all had to include digital tuners. This means that by February 2009 a sizeable number of televisions will have digital tuners.
- b. Most households (estimated at over 85%) receive television signals through cable or satellite transmission rather than over the air. Cable and satellite providers will continue to provide analog signals.
- c. The Congress had provided a minimum of \$1 billion to provide subsidies for the purchase of digital converter boxes for analog televisions. The National Telecommunications and Information Administration (NTIA) is implementing a program to provide each household with up to two \$40 coupons upon request after January 1, 2008 that are good towards the purchase of up to two converter boxes. The cost of the box is expected to be \$50-\$70.
- d. Video game systems, DVD players, VCRs, camcorders and other devices that connect to televisions will not be affected by the digital transition. In fact, a recent story in the New York Times says that cathode ray tubes can be better for gaming because many newer televisions cannot keep up with fast movements leading to image blurring. Joe Hutsko, "Not all HDTVs Can Keep Up With the Action," New York Times, August 30, 2007.

More information about the digital transition is available at www.dta.gov, and www.ntia.doc.gov.

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3. *Differences between televisions and computers support that there should be differences in approaches to recycling these products.*

According to Dell's Global Recycling Policy for recycling computers, "Because of different challenges, TVs and other electronics are best addressed separately." Our Coalition agrees. The following are some of the significant differences between computers and televisions that argue for different approaches in addressing end of life issues:

- Sales channels: A significant number of computers are sold directly from manufacturers, who act as retailers, to users. Virtually all televisions are sold through retailers and manufacturers have no direct connection with consumers. These differences affect the net margins for each product and the ability of manufacturers to directly relate to consumers.
- Uses in commercial and office environments: A significant number of computers are used in the business environment whereas virtually all televisions are used in households. This use pattern also affects the ability to recover spent products.
- Product life expectancy: Televisions have an average useful life of 15-17 years. In a business environment computers may last only a few years and even for homeowner use of the average life of a computer is five or more years less than for a television.
- Residual value: The residual value of a computer is much greater than the residual value of the typical cathode ray tube that has been used for televisions until recently. That significantly affects the economics of recycling
- Current business economics: While there are competitive pressures in the computer industry, the competitive pressures in the television industry are much greater adversely affecting the ability of manufacturers to increase prices to pay for recycling. As an example, a recent report by the financial services company Morningstar, contains the following information:

"The rampant competition from value brands like Vizio and Westinghouse has undercut prices of brand names like Sony, Philips and Panasonic by as much as 40%...Sustaining healthy returns on capital in such an environment is almost impossible." "Flat Panels Have Poor Fundamentals," Morningstar, March 26, 2007.

These differences mean that an approach that might be efficient for computers are not likely to be efficient for televisions.

4. *An approach that focuses on return share rather than current share puts established manufacturers at a significant disadvantage to new Chinese manufacturers who have no return share and who do not make the investments in environmental improvements that established manufacturers make.*

Seventy percent of 130 television manufacturers were not in business ten years ago (Smart Money 3/2005 article). Gartner, a leading provider of global technology research, reports similar numbers. According to Gartner "The emergence of China as a worldwide manufacturing powerhouse added further pressure to the consumer electronics industry, as state sponsored original design manufacturers emerged to build consumer products for anyone seeking to enter the consumer electronics market as a new "manufacturer... Any company with the resources and a market entry point can deliver a product relatively quickly by contracting with these ODMs." (The Consumer Electronics Industry in Flux, November 16, 2005).

New entrants are charging much lower prices in part because of lower operational costs and no environmental design improvement efforts. A story in Newsweek International, January 23, 2006 says, "Prices are plummeting as more and more players jump into the game, many of them unknown names out of Taiwan and Mainland China." According to Bob O'Donnell, an analyst at IDC, a global market intelligence firm, "You and I can start an LCD company tomorrow. You buy some panels and circuits, get a Taiwanese (contract manufacturer) and, bam, you're in business. Given that environment, there are people fighting for survival." Quoted in "TV prices dropping too fast, Sony says," In ZDNET.com, December 11, 2006.

And that is what has happened. According to ISupply, a company that provides market intelligence, in the second quarter of 2007 the number one manufacturer of LCD television sets sold in the US was Vizio, which had a market share of 14.5%. Two other new companies, Syntax-Brilliant and Westinghouse, had market shares of 6.1% and 5.5% respectively. That means that new manufacturers sold at least one-quarter of all LCD televisions sold in the quarter. www.isupply.com. Vizio is a company that was started in 2002. It currently has 85 employees. Gary Gentile, "Upstart Maker Tops in Flat Panel TVs," the Seattle Times, September 10, 2007.

Some of these new companies are using brand names of famous defunct companies:

"But as is the case with everything manufactured these days, China seems to be a hotbed of zombie brands. Brent Butterworth, editor in chief of Home Entertainment, notes that the brand names of Westinghouse and Polaroid, two once-proud blue chips that were titans in consumer electronics, have recently been applied to flat-panel TV sets made in China." "Attach of the Zombie Brands II: More products that refuse to stay dead." Daniel Gross, Slate.com, March 20, 2007.

The effect of low-cost competitors is summarized in "On the Undercutting Edge of Electronics" in the November 30, 2006 edition of the Washington Post. "Suppliers, who are also battling for market share among consumers, have lowered their costs to compete with cheaper, second-tier brands."

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The effect of global competition on pricing power is summed up in the February 5, 2007 edition of Business Week in an article written by Senior Editor, James C. Cooper:

“The overarching change, however, is the way globalization and technology have altered corporate pricing behavior in the face of rising costs. The resulting intensification of competitive forces limits the ability of companies to simply mark up prices based on cost increases. It has made cost control, rather than pricing power, the driving force behind corporate profit margins and earnings growth.” Page 25.

The financial research firm, Morningstar recently summarized the result of this competition:

“Despite the explosive growth of flat-panel televisions, manufacturers are struggling to stay profitable. The downward spiraling of prices, which are expected to drop another 20% in 2007, is outpacing cost reductions as manufacturers vie for market share. The rampant competition from value brands like Vizio and Westinghouse has undercut prices of brand names like Sony, Philips, and Panasonic by as much as 40%. Thanks to the global supply chain, these value players have access to the same TV displays from Asian suppliers as their marquee competitors. Consequently, Vizio and Westinghouse can manufacture TVs as cheaply as anyone else. And since these firms have virtually no overhead and no expensive marketing campaigns, they can pass their costs savings on to consumers.” “Flat Panels Have Poor Fundamentals,” Research Report on Philips Electronics, Morningstar, March 26, 2007.

The overwhelming evidence is that new low cost Asian manufacturers are significantly undercutting established manufacturers prices and inhibit the ability of such manufacturers to increase their prices to pay for the costs of recycling.

Producer responsibility return share proposals as found in SB 2843 unfairly and unnecessarily put established manufacturers at an economic disadvantage to new Asian entrants by adding costs to these manufacturers when they already have higher costs and lower profit margins. Established manufacturers are the manufacturers making the environmental design improvements that legislators want to see. These research and design implementation initiatives add to established manufacturer costs.

Over the last year many states have recognized the harmful effect of a return share model. Oregon and Minnesota both provide for current share models for televisions and Connecticut is considering revising its program to move from return share to current share for televisions.

5. *Arguments in Favor of Producer Responsibility Do Not Hold Up to Scrutiny*

Although manufacturers, retailers, government and consumers benefit from the sale and use of televisions, only manufacturers are being asked to pay for the cost of recycling.

Some argue that manufacturers should pay for recycling to create an incentive to design better products. This argument fails on two grounds:

a. Television manufacturers already have made significant design improvements without any such incentive. The television sold in 2008 is far superior to the average television sold in 1993 and being disposed in 2008. The 2008 television uses significantly less energy per screen size, weighs much less, uses much less packaging including elimination of PVC packaging and has eliminated use of virtually all lead. (See attached slide graphically showing improvements). Just last week the technology magazine CNET awarded Philips its "Best in Show" Award for our power saving Eco TV. (see attached story). In addition see the attached the lead story in the January 29, 2007 edition of Business Week Magazine on socially responsible and eco friendly practices are helping companies make money. On page 53, in a chart titled "Who's Doing Well by Doing Good," Business Week identified top-rated companies by industry. In the Household Durables category, Business Week identified Philips Electronics as one of the top-rated companies.

b. The average television life is 15-17 years. No one is going to redesign a product because it may result in lower recycling costs 15-17 years from now. Manufacturers need much shorter payback periods. In addition, there is no guarantee that any improvement made today would result in a decrease in recycling costs 15-17 years from now because of likely changes in the recycling of televisions. Recyclers are moving from hand disassembly to mechanical disassembly. This means that design changes to make manual disassembly easier are irrelevant in mechanical disassembly.

c. Even if there might be some incentive from requiring manufacturers to recycle televisions, that incentive would only apply to newly manufactured products. Products already manufactured and sold cannot be changed. Therefore there is no incentive from manufacturing legacy products. The Vice President of Best Buy made the following statement in his testimony before the House Energy and Commerce Committee in 2005:

"Through all of the voluntary efforts outlined above, we have first-hand knowledge of the fact that this issue is complicated. It may be helpful to the Committee to highlight one significant complication. There is the waste that is currently waiting to be recycled. There are the products that are still in use but will need recycling in the near future. Neither of these two categories of products – historic waste – was produced with the understanding that they would have to be recycled. And then there are the products that will be produced the future – future waste. Finding a solution may require us to think about these two categories of waste separately."

6. *Television Manufacturer Proposal – New Hampshire should allow its existing system of end of life fees to continue for a period to pay for the recycling of legacy Cathode Ray Tubes or authorize another source of funding for this purpose.*

Notwithstanding the lack of any incentive, television manufacturers have said they would be responsible for recycling newly made televisions and would be willing to run a program to collect legacy televisions. The only issue comes down to funding the recycling of legacy (pre 2008) televisions. Cathode ray tube televisions have little to no economic value and are the biggest financial cost of recycling electronics by far. Newer flat panel televisions are likely to be cost positive at end of life.

We have supported an up-front fee to pay for legacy recycling as is provided by the WEEE directive in Europe and is being implemented in much of Canada and in California. Senator Espero introduced a version of this approach SB 927 last year and the Committee reported favorably reported SB 927. In the event that the Committee does not believe that such a fee is viable, we would propose an end of life fee to pay for legacy recycling. There would be a limit the size of the fee (\$10), a limit the length of time we could use the fee (mid to late next decade), a prohibition on the charging of a fee for any product other than cathode ray tube televisions (that means free recycling for new flat panel televisions) and we would pay for an independent third party audit to ensure that all collected fees were used for recycling and did not benefit the manufacturers and that any excess collection would have to be paid to the state. Such end of life fees are now used by some communities in Maine and Minnesota to pay for the costs of collection. Another approach has been used in Arkansas and to a lesser extent in North Carolina and Colorado to increase tipping fees with funds used in whole or in part for electronics recycling.

Without some alternative source of funding for legacy products, manufacturers would have to eat the costs of the program. This comes at a time of significant problems for established manufacturers as documented by independent third parties. Please see the middle paragraph in the attached Merrill Lynch report showing that Philips loses money on television sales in the US and the reasons for those losses.

“Connected displays – which makes up ~60 of CE (consumer electronics) continues to loose (sic) money in the North American market driven by severe price competition, aggressive retail dynamics and disruptive low-cost players.”

If we are losing money with the cost structure we now have we will lose even more money by adding costs that we cannot recover. This is not an economically viable situation.

Conclusion

Our coalition is anxious to work with the Committee to fashion an effective and economically viable television recycling program.

February 20, 2008

**TO: Rep. Marcus Oshiro
Chair, Committee on Finance
House of Representatives
Hawaii State Capitol, Room 306**

FROM: Meggan Ehret, Senior Counsel, Thomson Inc.

**RE: HB 2509 – Relating to Electronic Device Recycling
Hearing: Wednesday, February 20, 2008 @ 4:40 PM
Conference Room 308
Hawaii State Capitol**

Chair Oshiro and members of the Finance Committee,

My name is Meggan Ehret and I am Senior Counsel with Thomson Inc. and also serve as its corporate secretary. Thomson Inc. is committed to developing a workable and environmentally sustainable solution for e-waste, which, according to the EPA, is the fastest growing portion of the municipal solid waste stream. We applaud the Legislature for having this hearing to ensure that the e-waste solution is a workable one that accomplishes the goal. We appreciate the opportunity to participate in this discussion.

Thomson is committed to complying with all environmental, health, and safety laws and regulations applicable to our business activities. We are equally committed to preventing deterioration of the environment and minimizing the impact of our operations on the land, air and water. These commitments can only be met through the awareness and cooperation of all employees.

Thomson is a world leader in digital video technologies. Thomson provides technology, services, and systems and equipment to help its Media & Entertainment clients — content creators, content distributors, and users of its technology — realize their business goals and optimize their performance in a rapidly-changing technology environment. The Group is the preferred partner to the media and entertainment Industries through its Technicolor, Grass Valley, RCA, and Thomson brands. As background, RCA's stock was acquired by General Electric in 1986, and shortly thereafter Thomson bought certain consumer electronics assets from GE and eventually acquired the RCA trademark (in most classifications) and today licenses the trademark to a number of different companies that make RCA televisions and other RCA-branded products. In 2004, Thomson sold its television manufacturing assets and now licenses the trademark to a large television manufacturer.



Meggan Ehret, Corporate Secretary
Thomson Inc.
101 W. 103rd Street, INH 3340, Indianapolis, IN 46290
Tel: 317-567-4866
Fax: 317-567-9638
meggan.ehret@thomson.net

Thomson is also a member of the Electronic Manufacturers Coalition for Responsible Recycling which we commonly refer to as "the Coalition." The Coalition consists of major manufacturers and marketers of consumer and commercial electronic products.

Based on our experience, we have learned that each product is different and, relevant here are the differences between televisions and computers. The different product life expectancy, market economics, residual values, and product portability necessitate different approaches to recycling to each product.

- **Different Product Life Expectancy** - Televisions have an average useful life of 15 to 17 years and have been available on the market since the late 1920's. Computers, on the other hand, have only been widely available to consumers since the 1980's and have an average life expectancy of at least 10 years less than the average television. Because televisions have been in existence much longer and have a much longer life, many of the manufacturers of the televisions hitting the waste stream are either no longer in business or are no longer manufacturing televisions.
- **Different Market Economics** - It is estimated that over 30 million TVs will be sold in 2008 (US News & World Report, 12/31/07). Of these, many will be sold by value brands that have only been established in the past few years. Ten percent of TV manufacturers - primarily those based in Asia - are expected to go out of business each year. (Legislative Study Accompanying Washington State E-Waste Law). Requiring present-day TV manufacturers to fund a TV recycling program based on their current market share ensures they are not given a free pass until their branded products begin to appear in volume in the State's recycling stream more than 15 years later and, in some instances, at a time they are no longer in business.
- **Different Residual Value** - A computer's residual value is much greater than the typical cathode ray tube television. Computers contain precious metals and other valuable and easily recycled or reused materials. This significantly impacts the economics of recycling a television versus recycling a computer.
- **Different Product Portability**. Computers are lighter and easier to handle, thus different opportunities exist for collection and recycling. Those opportunities do not exist for television manufacturers. Thus, "takeback" programs that require consumers to send equipment to a manufacturer is more workable for computers than televisions.

These important differences support separate approaches to recycling programs. The computer manufacturers have already implemented "takeback" programs and thus requiring takeback programs is the most logical and workable approach for computer products. For televisions, which is my focus today, the only approach that levels the playing field is allocating the costs of a recycling program to the present day manufacturers based on each manufacturer's respective share of the market. It is a fairer approach for the following reasons:

- The television market is an easy-entry and easy-exit industry, making short-term competitive advantages the rule. According to an article in Smart Money Magazine (“Behind the Glass,” March 2005), 70 percent of the television manufacturers were not in business ten years ago. By the time a new market entrant must pay to recycle its products (approximately 15 years from today), it is likely no longer in business.
- Far East manufacturers are flooding the market. “China...has emerged to build consumer electronics...as a new manufacturer. Any company with the resources and a market entry point can deliver product relatively quickly by contracting with the original design manufacturers.” (The Consumer Electronics Industry in Flux, Gartner Inc. Research Report, November 16, 2005.). History has proven that they will not be in business by the time their products hit the waste stream and, given their location, enforcement or collection (particularly after they are out of business) will be difficult if not impossible, unless a barrier to entry to the market is contributing to the costs of recycling televisions now.
- It is difficult—if not impossible—to estimate today the costs associated with recycling televisions 15 years from now (e.g., collection, transportation and recycling) and market share allocation ameliorates this concern. Thus, allocating the actual costs to recycle products today among today’s market participants is fair and permits today’s market participants to plan accordingly.

A market share approach requires each current manufacturer to pay for a share of the recycling of televisions based on its respective share of the market and account for these costs in the price of their product. Any other alternative will give a free ride to new market entrants as they will not be required to pay any costs for recycling today and history has demonstrated that they will be out of business in 15 years (which is when their products hit the waste stream). Thus, new market entrants will likely never pay for recycling e-waste. Importantly, as a result of not having to factor in the cost of e-waste, they are able to price their products lower than the long standing market participants and increase their share of the market. This is the same conclusion reached by the Council of State Governments NE region, Minnesota, New Jersey, and Oregon. (See http://www.csgeast.org/pdfs/RegionalDraft7-06_revised.pdf).

In summary, Thomson respectfully asks that the House Committee on Finance consider allocating the costs of recycling televisions to the current market participants based on their respective share of the market and level the playing field for all television manufacturers.

Thank you for allowing me the opportunity to provide my comments to you.

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THE UNIVERSITY OF HAWAII ENVIRONMENTAL CENTER IS
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RL: 2170

LATE

HB 2509
RELATING TO ELECTRONIC DEVICE RECYCLING

House Committee on Finance

Public Hearing – February 20, 2008
4:30 p.m., State Capitol, Conference Room 308

By
Peter Rappa, Environmental Center

HB 2509 establishes a state program for collection, recycling, enforcement, and monitoring of covered electronic devices and establishes program funding through the electronic device recycling fund. Our statement on this measure does not represent an institutional position of the University of Hawaii.

We believe that something must be done to encourage/require the recycling of covered electronic devices. Right now on Oahu they are collected by the City and County of Honolulu and disposed of in the landfill. Not only does this take up space in our rapidly filling landfill but these devices leach lead to the surrounding area.

Just to give an idea of the size of the problem, at the Apple computer sponsored event held at the University of Hawaii at Manoa last year, e-waste was collected from university campuses, Department of Education, private schools and individuals in the community. The total collected amounted to 45 shipping containers. Each container has a volume of 2,700 cubic feet. Apple estimates the total to be approximately 24,545 large garbage cans of eWaste.

This was a one-time event. We need something systematic and user friendly that will keep electronic waste out of landfills, prevent it being illegally dumped and prevent it from being shipped to countries where the recycling is conducted with child labor with an appalling lack of safety conditions.

Recently Bose offered customers a purchase discount on a new sound system with conditions that they bring in their old one in for recycling. Retailers and producers need to create these types of incentives for consumers so that recycling is linked to new purchases and becomes an exchange - this is readily understandable and creates a single transaction.

Thank you for the opportunity to comment on this bill.

TESTIMONY OF THE
COUNTY OF KAUA'I
DEPARTMENT OF PUBLIC WORKS

LATE

TO THE HOUSE COMMITTEE
ON FINANCE

TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

February 20, 2008
4:30 p.m.

TESTIMONY ON HOUSE BILL NO. 2509, RELATING TO ELECTRONIC DEVICE
RECYCLING

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Donald Fujimoto, Director of the Department of Public Works, County of
Kaua'i (County), testifying in favor of House Bill No. 2509.

The Bill establishes a state program to collect, recycle, enforce and monitor certain
electronic devices and provides program funding through the electronic device recycling
fund.

The Bill establishes and supports a much needed program to deal with a rapidly
growing and potentially hazardous waste stream. Currently, there are no recycling outlets
on Kaua'i able to handle this waste stream, and the County landfill does not accept
commercially-generated monitors. Users of these devices, including schools, other State
agencies, business, and County agencies, face significant challenges disposing of these
materials because of lack of local service providers, lack of consolidation points, and the
cost of shipping from a neighbor island. The program proposed by this Bill would assist
these users by providing a cost-effective and environmentally sound option to current
methods of disposal. While the measure places significantly responsibility on the State
Department of Health, we anticipate that with adequate resources, the department can
make this program as successful and beneficial as the deposit beverage container
redemption program.

In order to increase the effectiveness of the measure, we suggest amending the
definitions in section two of the measure to (1) include desktop computers and printers in
the definition of "covered electronic device," and (2) expand the definition of "covered
entity" to include government entities, businesses, and nonprofit organizations, regardless
of size, operating on a neighbor island.

We thank the Committee for the opportunity to present testimony on this matter.

State of Hawaii
Committee on Finance
Hearing on Hawaii Bill 2509, Relating to Electronic Waste Recycling
February 20, 2008

LATE

A statement for the record submitted by Mark Small, Vice President of Environmental Health and Safety, on behalf of Sony Electronics Inc. ("Sony").

Chairman Oshiro and distinguished Members of the Committee, thank you for the opportunity to present information about Sony's environmental stewardship program and commentary with respect to House Bill ("HB") 2509.

For over forty-five years Sony has been one of the leading consumer electronic manufacturers in the United States. Sony is particularly proud to say that Sony Hawaii was founded in 1968, generates hundreds of millions of dollars in annual revenue (75 percent of which comes from discounted Sony products sold directly to United States military personnel around the world), and is headquartered right here in Honolulu on Mapunapuna Street.

Sony's Environmental Stewardship Program

Sony has long been an industry leader in the environmentally-friendly design of our consumer electronics and information technology products and our cooperative efforts to recycle those products. But now, *Sony has made an even stronger commitment to our environmental stewardship and has implemented a voluntary electronics recycling program under which Sony takes full manufacturer responsibility for all of the products that bare the Sony brand name and will recycle those products at no cost to the consumer.*

In carrying out this program, Sony has teamed up with Waste Management Inc. to establish a nationwide "e-waste" take-back and recycling program with at least 150 locations throughout the United States, with one plant in every state by September 2008. Our goal is to have a collection location within 20 miles of 95% of the United States population at which consumers, retailers and municipalities can have any product from any consumer electronic manufacturer recycled and be assured that that product is recycled using the highest environmental standards. *In short, Sony seeks to make the recycling of our products (as well as the products of other consumer electronic manufacturers) as easy for consumers as the purchase was for those products.*

In addition to voluntarily tackling the issue of e-waste, Sony has also been a leader in the effort to address global climate change. Just this past week at an event co-sponsored by Sony and the World Wildlife Fund ("WWF"), Sony reiterated its commitment to fighting global warming by signing the Tokyo Declaration, a strict, self-imposed commitment to not only reduce Sony's own greenhouse gas emissions, but to also pledge to reach out to other companies in an effort to urge them to take similar steps. At the Sony-WWF event, held on the eve of the third

anniversary of the Kyoto Protocol's enactment, Sony Chairman and Chief Executive Officer Sir Howard Stringer noted:

At Sony, we believe that it is impossible for a business to flourish in a degraded environment. For this reason we are committed to using our technological ability and know-how to reduce our impact on the planet, and to help our customers reduce their impact at home. We have always recognized that we have an obligation to act responsibly in all of our business activities to help minimize our environmental impact, and at the same time utilize our unique talents to help solve environmental problems together with our peers and our partners.

Sony's Comments on HB 2509

Briefly summarized, Sony urges you to adopt legislation that supports our efforts and extends the environmental stewardship we have demonstrated to all electronic manufacturers and retailers. While we are confident that Sony's voluntary e-waste recycling program will make great strides forward, only a truly comprehensive and consistent program will allow all interested parties to achieve our shared electronics recycling goals. Sony, therefore, respectfully requests that any bill be drafted or modified so as to reflect the following:

- **Producer Responsibility**

Sony believes that it is the individual manufacturer's responsibility to assure that any product that it puts its name on is properly recycled using the highest standards possible at the end of that product's life. We encourage HB 2509 to reflect this type of responsibility for all manufacturers of electronic products.

- **Market Share**

In order to create a level playing field where no manufacturer can gain a competitive market advantage by shirking its recycling responsibilities, it is necessary that *any manufacturer obligation be based upon present market share* and not on historical activities or the amount of waste collected. Systems based upon the amount of waste collected will give a cost advantage to those companies that are new to the market. Such companies can avoid any recycling cost by simply staying in business and changing their brand or company name every year. Many of these "no name" brands are made of lower quality materials, which can contain higher levels of toxic chemicals and are often more difficult to recycle. Any mandate not based upon today's market share will give those companies a "free ride" on recycling which will in turn help lower their costs when compared to responsible companies like Sony. Such a mandate would reward manufacturers who avoid their environmental obligations and penalize Sony and put our more environmental-advanced products at a competitive cost disadvantage.

- **Products Covered**

Our recycling program covers all of our branded products from the movies we make (*i.e.*, DVDs), to the professional equipment that is used to project movies in theaters, to the laptops or televisions you can use to watch the movies at home. We encourage the State of Hawaii to

support our efforts by adopting one program with one set of requirements which will require full producer responsibility for all products manufactured.

- **Cost**

Sony internalizes the cost of recycling and requests that any mandate require the same. Currently, it costs Sony money to recycle our old products. While there are several financing mechanisms that allow for recovery of this cost, Sony believes that internalizing the cost is the most effective and fair method for funding a comprehensive electronics recycling program. Such a funding mechanism necessarily creates market incentives for manufacturers to *ex ante* design and produce the most environmentally-friendly products possible and to develop and implement the most efficient, and cost-effective recycling procedures. Indeed, it is Sony's ultimate goal through design improvements, the growth of the recycling industry, and efficiencies of scale to drive these recycling costs down toward zero, thus, making recycling cost effective. Until that time, Sony considers the cost of recycling as part of the cost of doing business.

Thank you again for allowing Sony the opportunity to submit testimony for the record. We look forward to working with you in developing a successful e-waste recycling program.